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February 1, 2012

BY ELECTRONIC FILING AND HAND DELIVERY

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Notice of Ex Parte Presentations;
MB Docket Nos. 10-71, 09-182, and 07-294;
DA 10-757

Dear Ms. Dortch:

On January 30, 2012, representatives of the Coalition of Smaller Market Television Stations met with Edward Lazarus, Chief of Staff for Chairman Genachowski; Zachary Katz, his successor in that position; and Sherrese Smith, Senior Counsel and Legal Advisor to Chairman Genachowski. The Coalition of Smaller Market Television Stations was represented in these meetings by Marci Burdick of Schurz Communications, Inc. ("Schurz"); Christopher Cornelius of Barrington Broadcasting Company, LLC ("Barrington"); Ralph Oakley of Quincy Newspapers, Inc. ("Quincy"); Paul McTear, Chairman of the Coalition and President/CEO of Raycom Media, Inc. ("Raycom"); and undersigned counsel.[1]

The purpose of the meeting was to provide real-world examples in which duopolies and shared service arrangements ("SSAs") have helped to preserve and enhance stations' service to their communities; to describe the underlying economic pressures

[1] The Coalition of Smaller Market Television Stations is comprised of nine broadcast groups that collectively own approximately 120 full-power television stations in small and medium-sized markets. Its members are: Barrington Broadcasting Company, LLC; Cordillera Communications, Inc.; Fisher Communications, Inc.; Drewry Communications Group; LIN TV Corp.; Morgan Murphy Media; Quincy Newspapers, Inc.; Raycom Media, Inc.; and Schurz Communications, Inc.

increasingly experienced by local television stations (particularly those in smaller markets); and to describe Coalition members' experiences in retransmission consent negotiations.

The Coalition's representatives cited examples in their markets where SSAs have benefited the public by enabling a struggling station to preserve, and often enhance, its operations -- local news and other services to the public -- thereby promoting the goals of localism and program diversity. For example:

- In Wichita, Kansas, Schurz's entry into an SSA with Entravision enabled the Entravision station to launch its operations, including digital operations, six months earlier than scheduled and enabled it to provide local news programming years earlier than Entravision had planned. The arrangement makes possible the only Spanish-language local television news operation in the state of Kansas.

- In Springfield, Missouri, Schurz entered into an SSA with a station that was failing by any realistic economic measure.[2] As a result, it was providing limited local news services, was not equipped to provide high definition digital television, and was not engaged in any community service activities.[3] With the SSA in place, the station has added a state-of-the-art HD newsroom, expanded local news (with a separate, competitive news staff), and rolled out community service initiatives. The station has seen a strongly positive viewer response, with increased ratings and revenues that are being used to support further investments in operations. As a result of the expanded news operations, more news people are employed than were working there pre-SSA.

- In Augusta, Georgia, Schurz purchased a station over 30 years ago that was dark at the time (its owner was in bankruptcy). Schurz made very substantial investments in the station over the years and added a full complement of local

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[2] As discussed in the meetings, such a station should be considered failing by any measure. The Coalition believes that the "failing station" standard in the FCC's ownership rules is not realistic. It is too stringent and precludes relief for many stations that are in fact failing. It also does not deal with situations where stations cut valuable services in order to survive.

[4] Given its financial condition, selling the station to an out-of-market third party was not possible. Nor was a "failing station" waiver available for an in-market buyer, given the ratings for the station's network programming.

newscasts in 1997. From that point on, the station was not profitable.[4] After losing money with the station for 12 years and facing the possibility of having to eliminate the station's news department entirely, Schurz entered into an SSA in 2009 whereby the other party is providing supportive services without impinging on Schurz's control of the station. The SSA has enabled the station to expand its independent news operation. The station just recently cut the ribbon on a brand-new HD television station that would not have been possible without the SSA.

- In Syracuse, New York, Barrington has entered into an SSA and is providing services to a station which had been on the verge of eliminating its local news operation. Under the SSA, however, both the Barrington station and the other station have preserved and enhanced two separate local news operations, with improved quality and new equipment for both news operations.

- In Peoria, Illinois, Barrington's station was struggling due to the economic problems of Caterpillar, the market's major employer and a pillar of the local advertising market. Once the station began receiving assistance under an SSA, it was able to enhance its local news operations (including adding an evening local interview/public affairs program). Each station maintains separate, independent news operations.[5]

- In Wausau, Wisconsin, the Quincy station's entry into an SSA helped it to launch a local news operation that had not existed previously and likely never would have existed in the absence of the efficiencies provided by the SSA. The station simply could not afford the expenses of providing local news until the SSA was implemented. In Rochester, Minnesota, Quincy entered into an SSA with a station that had been losing money for years on its news operation; after the SSA was implemented, its newscasts finally stopped losing money and began to turn a profit. In each case, the stations' news operations are run by separate news producers who exercise their own independent judgment as to which stories to cover and how to cover them. The stations also have bolstered their public service activities, for example, through promoting and assisting local charitable groups.

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[4] Given its financial condition, selling the station to an out-of-market third party was not possible. Nor was a "failing station" waiver available for an in-market buyer, given the ratings for the station's network programming.

[5] Because each station naturally reports on important local news events, a certain amount of overlapping content is to be expected when SSAs provide separate news services.

The above examples illustrate the numerous instances in which SSAs entered into by stations owned by Coalition members have breathed new life into struggling stations, at minimum by enabling the stations to preserve expensive existing news operations, and in many cases by allowing stations to expand the quality and the quantity of their program services and other contributions they make to their service area. It was also noted that combining news operations through SSAs can bring real benefits to the viewing public, such as greater resources to provide around-the-clock coverage for emergency events (such as the Hawaii tsunami last year) and the deployment of resources to cover different events of importance that are occurring simultaneously. The public interest benefits of SSAs are achieved by cost efficiencies/economies of scale (including the sharing of back office operations and facilities).

The Coalition's representatives, Mr. McTear in particular, pointed out that the efficiencies of SSAs are especially relevant and necessary—and will become more so—in the face of deteriorating economic conditions. One important change in industry conditions is the prolonged and deep fall in advertising revenue, which has hit smaller market stations particularly hard.[6] Another significant trend is the practice of the networks, to seek and obtain (1) a percentage share of their affiliates' retransmission consent revenues or (2) a flat sum that has a similar effect. Similarly, the networks seek and obtain substantial financial contributions from affiliates to obtain the broadcast television rights to NFL games, the Olympics, and other popular programming. The Coalition's representatives cited the public interest in keeping such programming available on free, over-the-air television, and pointed out that undermining the retransmission consent regime will result in the migration of broadcaster programming valued by the public to behind the "pay wall" of subscription television services.[7]

Coalition representatives also emphasized the importance of retransmission consent revenues to the economic viability of smaller television stations around the country. Ms. Burdick noted that Schurz owns several cable systems, as well as television and radio stations and newspapers, and thus, is able to offer a unique perspective as both a cable operator and a broadcaster. In Schurz's experience and in the view of the other Coalition members, the retransmission consent process is working.

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[6] See the attached financial data on the challenging economic conditions in smaller markets; copies were distributed at the meeting.

[7] In the discussion about SSAs, the Coalition representatives did not raise the matter of Raycom's SSA arrangement in Hawaii, but Sherrese Smith did ask about two stations' late evening news programs in Hawaii that had appeared to her to be identical when she was in Hawaii recently. Paul McTear responded that the late evening news (but not other newscasts) is simulcast on two stations owned by Raycom. There is no simulcasting of regularly scheduled newscasts on the SSA station.

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We appreciate the opportunity that the meeting provided the Coalition to discuss these often-overlooked, on-the-ground realities. The Coalition urges the Commission to take these realities into account in connection with the ownership and retransmission consent rulemaking proceedings.

Respectfully submitted,

Jonathan Blake

Jonathan D. Blake
Jennifer A. Johnson
Counsel for the Coalition of Smaller Market Television Stations

Attachment

cc: Edward Lazarus
Zachary Katz
Sherrese Smith
Angela Campbell
John Logan

Television Station Financial Data
1999-2009

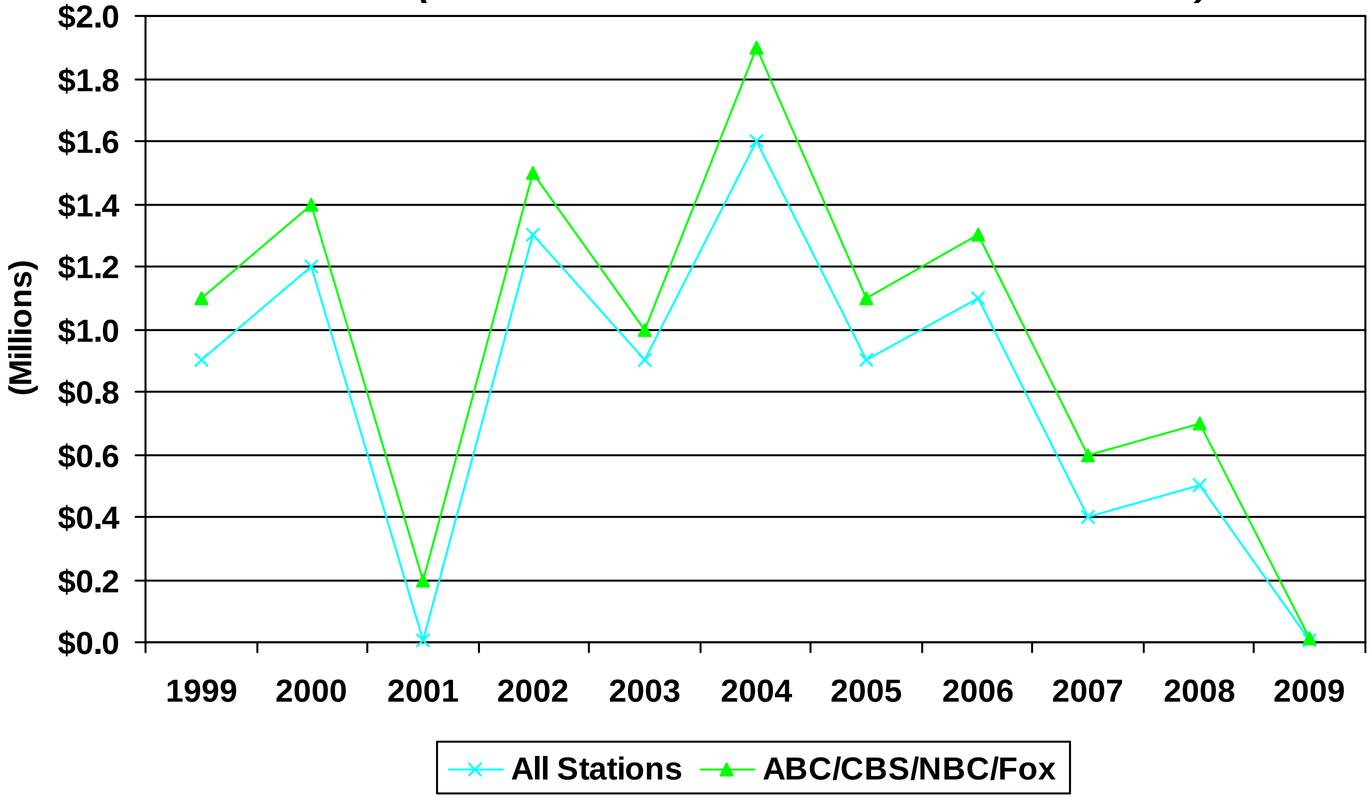
Pre-Tax Profits and News Expense

Source: NAB Television Financial Surveys: 2000-2010

Pre-Tax Profit Average

Markets: 50-210

(Data detail contained in the next two charts)



	Percent Change 1999-2009	*CAGR 1999-2009*
All Stations	(95.4%)	(26.5%)
ABC/CBS/NBC/Fox	(88.0%)	(19.1%)

Source: NAB Television Financial Surveys: 2000-2010

Pre-Tax Profits Average Markets: 50-210 All Stations				
		---------------Percentiles---------------		
Year	***Average***	***25%***	***50%***	***75%***
1999	$908,462	($601,340)	$459,871	$2,217,697
2000	$1,158,747	($441,800)	$707,730	$2,595,927
2001	$9,426	($1,379,567)	($55,989)	$1,226,440
2002	$1,321,800	($408,698)	$662,564	$2,475,608
2003	$859,309	($510,777)	$210,500	$1,694,630
2004	$1,566,372	($97,116)	$841,950	$2,692,097
2005	$872,360	($513,000)	$383,397	$1,792,464
2006	$1,056,903	($354,437)	$696,942	$2,362,563
2007	$426,644	($561,750)	$274,509	$1,385,949
2008	$486,163	($681,268)	$375,674	$1,653,518
2009	$42,003	($995,402)	$8,634	$1,091,475

Percent Change 1999-2009:	(95.4%)
CAGR 1999-2009:	(26.5%)

Pre-Tax Profits Average Markets: 50-210 ABC/CBS/NBC/Fox Stations				
		---------------*Percentiles*---------------		
Year	***Average***	***25%***	***50%***	***75%***
1999	$1,096,054	($297,763)	$710,881	$2,374,554
2000	$1,366,816	($136,046)	$932,941	$2,869,060
2001	$158,135	($1,216,481)	$36,464	$1,426,126
2002	$1,520,384	($77,848)	$900,314	$2,801,227
2003	$987,956	($328,281)	$360,805	$1,974,788
2004	$1,856,973	$83,870	$1,140,392	$2,907,824
2005	$1,076,981	($327,515)	$518,184	$2,039,546
2006	$1,327,500	($26,639)	$963,444	$2,589,755
2007	$569,951	($403,340)	$429,455	$1,729,721
2008	$705,130	($535,215)	$517,602	$2,052,326
2009	$131,863	($862,773)	$60,099	$1,234,383

Percent Change 1999-2009:	(88.0%)
CAGR 1999-2009:	(19.1%)

Definitions

- **CAGR (Compounded Annual Growth Rate)**: Annualized growth rate over a given period of time.

- **Percentiles:** The 50th percentile or median represents the mid-point of the range of figures reported for that line item with one-half of the stations reporting figures above it and one-half below. The 75th percentile case is equal to or greater than 75% of the responding stations. Thus, 75% of the responding stations reported a value lower than this case and 25% reported a value higher. Likewise, the 25th percentile case is equal to or less than 25% of the responding stations. Meaning, 25% of the responding stations fall below the reported figure and 75% of them fall above. Taken together the 25th percentile and the 75th percentile represent the "middle range." This represents the values of the middle 50% of stations when figures for a given item are arranged numerically from lowest to highest.